

Internal Revenue Service

District
Director

Department of the Treasury.
P.O. Box 13163
Baltimore, MD 21203

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Person to Contact:

Telephone Number:

Refer Reply to:

EO: Review

Date: MAY 10 1984

cc. [unclear]
Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code.

The information submitted indicates that you were formed as an unincorporated association on [redacted]. The purpose of your association is the administration and operation of the common elements of the condominium property known as [redacted] and the regulation and management of the unit owners of this property.

There are [redacted] units in the condominium. Unit owners are automatically members of the association for as long as they hold title to their unit. Membership is transferred automatically when title to a unit is conveyed. Each unit has an undivided interest in the common elements, votes in the association and a share in the common expenses.

The primary activities of the association are the operation, care, upkeep, repair, replacement, and improvement of the common elements, and the acquisition and arrangement for utilities and insurance.

Your primary source of revenue has been assessments of members. Your expenses have been for lawn work, interior maintenance, electricity, water, insurance and other miscellaneous expenditures.

Section 501(c)(4) of the Code provides for the exemption from Federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing civic betterment and social improvements.

[REDACTED]

Revenue Ruling 69-280, 1969-1 C.B. 152, holds that a nonprofit organization formed to provide maintenance of exterior walls and roofs of members' homes in a development is not exempt from Federal income tax under section 501(c)(4) of the Code.

Revenue Ruling 74-17, 1974-1 C.B. 130, holds that an organization formed by the unit owners of a condominium housing project to provide for the management, maintenance, and care of the common areas of the project, with membership assessments paid by the unit owners does not qualify for exemption under section 501(c)(4) of the Code.

Based on the evidence submitted, we have determined that your activities are for the private benefit of your members, rather than promoting the common good and general welfare of the people of the community. Accordingly, you do not qualify for exemption from Federal income tax under section 501(c)(4) of the Code.

You are required to file Federal income tax returns on Form 1120.

However, Internal Revenue Code 528 was enacted to provide homeowners associations with another alternative to exemption under section 501(c)(4). Section 528 exempts from income tax any dues or assessments received by qualified homeowners' associations from property owner-members of the organization, where these dues and assessments are used for the maintenance and improvement of its property. An organization wishing to be treated as a homeowners association under section 528 for a taxable year must elect to be so treated. Such election is made by filing a properly completed Form 1120-H. A separate election must be made for each taxable year. For taxable years ending after December 30, 1976, the election must be made not later than the time, including extensions, for filing an income tax return for the year in which the election is to apply.

You have the right to appeal this determination if you believe it is incorrect. To appeal, please refer to the enclosed Publication 892. If we do not hear from you within thirty days from the date of this letter, this determination will have become final.

Sincerely yours,

[REDACTED]
District Director

Enclosure:
Publication 892